BEFORE THE

STATE OF CONNECTICUT

JOINT COMMITTEE ON ENERGY AND TECHNOLOGY

March 7, 2013

Testimony of Daniel Allegretti

For

Exelon Corporation

On

Raised Bill No. 6531 (LCO 3850)

Members of the committee, thank you for the opportunity to present this testimony today. My name is Daniel Allegretti and I am a Vice President for State Government Affairs with Exelon Corporation ("Exelon"). Exelon opposes Raised Bill No. 6531 and urges the committee not to pass it.

Exelon

By way of introduction, Exelon is a Fortune One Hundred company, headquartered in Chicago, Illinois, with operations and business activities in 47 states, the District of Columbia and Canada. Exelon owns Commonwealth Edison Company, the Baltimore Gas and Electric Company and PECO Energy Company, which combined own electric transmission and distribution systems that deliver electricity to approximately 6.6 million customers. Here in Connecticut we are best known through our retail brand, Constellation New Energy, which provides electricity directly to thousands of Connecticut businesses and residents and to over a million customers nationwide. Exelon is also the largest competitive power generator in the U.S., with approximately 35,000 megawatts of owned capacity comprising one of the nation's cleanest and lowest-cost power generation fleets, that includes over 3,000 megawatts here in New England region. Exelon is a regular participant in the wholesale power solicitations conducted here in Connecticut and is a regular provider of Standard Service supply to CL&P and UI.

Renewable Portfolio Standards - Waste to Energy

Raised Bill No. 6531 creates a fourth class of energy resource under the renewable portfolio standard -- Class IIA, comprised of trash to energy facilities without bonded indebtedness that are located in the State of Connecticut. Exelon opposes this legislation based on several concerns with its impact.

First, the creation of a new Class IIA category will have a disruptive impact on the competitive retail electric market. Many suppliers and customers have already entered into fixed-price contracts under which the supplier has secured power that will comply with three current renewable portfolio standard categories. Creation of a new category will impose a new cost that must either be borne by the supplier or, if the contract allows, passed on to the customer. If suppliers bear the cost then suppliers will be wary of making fixed-price offers to consumers in Connecticut in the future. Those that do continue to make such offers can be expected to raise their prices, not only to cover the cost of the new Class IIA requirement, but also to cover the risk of future changes to the portfolio requirements that could again impose a new and unexpected cost on suppliers. At a minimum, the bill should be modified to exempt existing retail supply contracts from the new requirement. The practice of "grandfathering" existing contracts from new portfolio requirements is a common practice that assures fair treatment of both suppliers and consumers and that protects confidence in the integrity of the marketplace for both.

Second, proposed section 2(h) would impose a proposed price floor of 4.5 cents/kwh but would not include any price cap or alternative compliance payment of any sort. In short, the provision protects the facility owner from competition that might drive the price

lower but leaves the supplier and the consumer with unlimited exposure to whatever asking price such facility owners might demand. Given the very limited number of facilities that would qualify as Class IIA, the risk is quite real that a small number of facility owners will be free to "name their price" and that no meaningful competition to discipline prices for ClassIIA certificates will exist. This bill would simply allow these facilities to escape the price protections that the legislature included for Class I, II and III resources. At a minimum, any new ClassIIA requirement should include the same provisions for an alternate compliance payment that exist for Class I, II and III resources.

Third, by limiting the eligible ClassIIA resources to only in-state facilities the bill may violate the provisions of the commerce clause of the United States constitution. While some states have enacted portfolio requirements with such limitations, there is considerable uncertainty as to whether such requirements would survive judicial challenge. When creating new requirements a single-state source limitation is, therefore, ill-advised. At a minimum, the bill should be revised to allow competition from similar facilities in other states.

Conclusion

This bill appears to be narrowly targeted to provide some level of economic support for a handful of resource recovery facilities within Connecticut. While we take no position on the proper management of waste disposal, in our view a statewide requirement on all Connecticut electric customers to purchase certificates that will offset tipping fees for

some but not all communities is inconsistent with Govenor Malloy's call for a strategy that will produce cleaner, cheaper and more reliable energy for all Connecticut consumers. For all of the reasons stated above, I urge the Committee not to adopt Raised Bill 6531. Should the Committee proceed with the bill, however, I urge you to consider the changes we have proposed. I would be happy to work with members to develop language to make those changes and to assist the Committee in any way I can.

Thank you.